

# SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS



ADAPTED FROM THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER  
DIVISION OF COST ALLOCATION

## SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

### A. INTRODUCTION

Name of Organization (nonprofit) is a nonprofit located in Anytown, USA. The nonprofit administers a variety of programs funded by Federal, State, and Local agencies. These programs include Community Service programs, Head Start programs, State Weatherization, and Food Service programs. This example assumes a June 30 year end. Nonprofits can have different year ends and should use the year end of their nonprofit when preparing indirect cost proposals.

### B. COST ALLOCATION METHODOLOGY

This proposal is for an indirect cost rate based on the nonprofits actual costs for its fiscal year beginning July 1, 200X and ending June 30, 200X. The proposal is based on the nonprofit organization's audit report (Statement of Functional Expense Statement) for the year ended June 30, 200X.

This proposal addresses all elements of cost incurred by "Name of Organization" and identifies shared costs that require allocation.

The nonprofit treats all costs as direct costs except general administration and general expenses. Joint costs are prorated individually as direct costs to each category and to each award using a base most appropriate to the particular cost being prorated. Therefore, the direct allocation method has been used in allocating indirect costs.

### C. DIRECT COSTS

Direct costs are costs that can be identified specifically with a project and therefore are charged to that project. The accounting system records these costs as they are incurred within the series of accounts assigned for that purpose and further distribution is not required.

### D. INDIRECT COSTS

Indirect costs are costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular project or activity. These costs are grouped into common pool(s) and distributed to benefiting activities by a cost allocation process.

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**E. COST POOL AND BASE FOR DISTRIBUTION**

The nonprofit has created an Administrative Services Pool consisting of salaries, fringe benefits, and non-salary costs. The Administrative Services Pool is charged with all the indirect costs as defined above. The pool is distributed to the various program activities on the basis of direct salaries, including vacation, holiday, and sick pay but excluding other fringe benefits expended on those activities.

The total direct salaries and wages on which this proposal is based is \$1,111,343.

Volunteers involved in any direct activity of the organization should be included in the direct salaries base assuming they meet the requirements outlined in Circular A-122.

Circular A-122 can be found at: [www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html)

**F. SUPPORTING FINANCIAL STATEMENTS**

The Schedule of Total Expenditures (Schedule C) contained in this proposal is assumed to agree to the nonprofits audit report Statement of Functional Expenses.

- Audit report, Statement of Functional Expenses: \$2,632,449
- Indirect Cost Proposal: \$2,632,449

**NOTE:** Nonprofit must include a complete copy of the audited financial statements with their proposal submission.

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**G. SALARIES**

Listed below are the positions, functions, and budgeted annual salaries for the people who comprise the Administrative Services Pool. These positions are charged 100% to Administrative Services.

<u>Position</u>	<u>Function</u>	<u>Salary</u>
Executive Director	General Management	\$48,754
Deputy Director	General Management	\$30,664
Administrative Assistant to Executive Director	General Management	\$21,566
Administrative Secretary / Personnel Officer	Clerical support to the Executive Director and Administrative Assistant Responsible for personnel information	\$17,087
Finance Officer	Accounting and related activities	\$26,484
Bookkeeper	Accounting	\$20,797
Bookkeeper	Accounting	\$17,215
Bookkeeper / Payroll Clerk	Payroll accounting and general disbursements	\$16,560
Custodian	Cleaning	\$2,936
Receptionist	Switchboard / Clerical	\$14,232
		-----
	Total Administrative Services Pool Salaries:	\$216,295
		=====

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**H. FRINGE BENEFITS**

Fringe benefits associated with the positions within the Administrative Services Pool are as follows:

Payroll taxes:		
FICA (actual paid)	\$16,546	
State Unemployment (actual paid)	<u>\$1,145</u>	\$17,691
Health and Life Insurance (actual paid)		\$22,474
Retirement Plan (actual paid)		<u>\$3,050</u>
		-----
	TOTAL	<u>\$43,215</u>
		=====

The nonprofits fringe benefit policies should be included with proposal submission.

**I. NON-SALARY COSTS**

Each category on non-salary expenditures has been analyzed based on the facts, and Schedule B shows the allocation between the Direct and Administrative Services Pool. Total non-salary direct costs excluding indirect cost reimbursements are \$984,656 of which direct is \$861,966 and indirect is \$122,690.

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**J. COMPUTATION OF BASE AND POOL COSTS**

Schedule A (attached) shows the computation of the indirect cost rate for the year ended June 30, 200X. A summary of the rate calculation follows:

Direct Costs (Base - Salaries and Wages):

TANF	\$140,831
FVPSA	\$950,615
VAWA/STOP	\$18,305
Memberships and Fundraising	\$1,592
	-----
Total Direct Salaries:	\$1,111,343
	=====

Indirect Costs (Pool):

Administrative Services Salaries	\$216,295
Administrative Services Fringe Benefits	\$43,215
Administrative Services Non-salary costs	\$122,690
	-----
Total Administrative Services:	\$382,200
	=====

**K. RATE**

Adjusted indirect costs (above - pool):	\$382,200	
	-----	34.4%
Total direct salaries (above - base):	\$1,111,343	

**L. FUNDING OF RATE**

When the above rate is applied to the direct salaries paid from the State Department of Children & Families funds (Temporary Assistance for Needy Families) and funds from the U.S. Department of Health and Human Services (FVPSA), the eligible reimbursement is \$374,365 (\$140,831 + \$950,615 = \$1,091,446 x 34.4% = \$374,365). However, the allowable budgeted funding for indirect costs was significantly less than the eligible reimbursement. The U.S. Department of Justice programs and other local funds will have to absorb their fair share of the difference, within their funding limitations. The nonprofit can apply to outside sources to absorb any difference in indirect costs paid by other programs.

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**SCHEDULE A**

Functional Groupings:

Direct Costs (Base - Salaries and Wages):	<u>Total Salaries</u>
TANF	\$140,831
FVPSA	\$950,615
VAWA/STOP	\$18,305
Memberships and Fundraising	\$1,592
Total Direct Salaries:	----- \$1,111,343 =====

Indirect Costs (Pool):

Labor Costs	\$259,510
Non-Labor Costs	\$122,690
Adjusted Administrative Services Pool:	----- \$382,200 =====

**RATE**

Adjusted indirect costs (above - pool):	\$382,200	
	-----	34.4%
Total direct salaries (above - base):	\$1,111,343	

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**SCHEDULE B**

<u>Elements of Cost</u>	<u>Methodology of Allocation</u>
Contractual Services	Actual usage.
Depreciation / Use Allowance	Indirect cost.
Emergency assistance payments	Direct cost.
Equipment rental and maintenance	Rental and maintenance on equipment used in central office finance office.
Equipment / Capital	Purchasing of office furniture for use in performing administrative services.
Equipment / Minor	Actual usage.
Food costs	Direct cost.
Insurance	Actual usage.
Occupancy	Central office repairs and utilities on basis of square footage used for administrative services.
Office supplies	Office and janitorial supplies for administrative and program services.
Other expenses	Based on administrative services actual use.

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**SCHEDULE B (continued)**

<u>Elements of Cost</u>	<u>Methodology of Allocation</u>
Postage	Actual usage.
Professional fees	Accounting and audit services, payroll processing services, charged on work performed for administrative services.
Program supplies	Programs are charged to project as costs are incurred. Costs are direct costs.
Printing	Actual usage.
Renovations and improvements	Direct cost.
Telephone	Basic services allocated on number of instruments, toll calls charged on basis of logs of such calls for administrative services.
Travel	Charged based on actual administrative and program use of vehicles. Costs include mileage, transportation, per diem, gas, oil, repairs, and insurance on vehicles.

The methodologies used in this example are not recommended methodologies. They are used for purposes of example only. Allocation of costs should be accomplished on a cost benefit basis. This cost benefit can be different from one nonprofit to the next.

Sample Indirect Cost Proposal Format for Nonprofit Organizations  
Total Expenditures for the year ended June 30, 200X

**Schedule C**

(A) ELEMENTS OF COSTS	(B) FINANCIAL STATEMENT	(C) ADJUSTMENTS	-----DIRECT PROGRAMS and ACTIVITIES-----				(H) TOTAL DIRECT COSTS	(I) INDIRECT COSTS
			(D) TANF	(E) FVPSA	(F) VAWA/STOP	(G) MEMBERSHIP & FUND RAISING		
Salaries and wages	\$1,327,638	\$0	\$140,831	\$950,615	\$18,305	\$1,592	\$1,111,343 (1)	\$216,295
Fringe benefits	\$245,434	\$0	\$28,138	\$170,107	\$3,657	\$317	\$202,219	\$43,215
Subtotal labor	\$1,573,072	\$0	\$168,969	\$1,120,722	\$21,962	\$1,909	\$1,313,562 (2)	\$259,510
Contractual Services	\$245,420	\$0	\$3,493	\$207,770	\$34,157	\$0	\$245,420	\$0
Depreciation/Use allowance	\$41,582	\$0	\$0	\$0	\$0	\$0	\$0	\$41,582
Emergency asst. payments	\$72,859	\$0	\$52,809	\$0	\$20,050	\$0	\$72,859	\$0
Equipment rental and maint.	\$11,448	\$0	\$592	\$5,197	\$0	\$281	\$6,070	\$5,378
Equipment / Capital	\$58,215	(\$58,215) a	\$0	\$0	\$0	\$0	\$0	\$0
Equipment / Minor	\$546	\$0	\$0	\$0	\$546	\$0	\$546	\$0
Food costs	\$124,616	\$0	\$0	\$124,616	\$0	\$0	\$124,616	\$0
Insurance	\$12,554	\$0	\$92	\$8,209	\$85	\$373	\$8,759	\$3,795
Occupancy	\$129,314	\$0	\$24,637	\$100,956	\$459	\$233	\$126,285	\$3,029
Office supplies	\$32,540	\$0	\$1,794	\$13,317	\$3,649	\$842	\$19,602	\$12,938
Other expenses	\$36	(\$36) b	\$0	\$0	\$0	\$0	\$0	\$0
Postage	\$3,901	\$0	\$476	\$301	\$125	\$2,467	\$3,369	\$532
Professional fees	\$34,211	\$0	\$0	\$0	\$0	\$0	\$0	\$34,211
Program supplies	\$109,663	\$0	\$7,603	\$55,241	\$40,659	\$6,160	\$109,663	\$0
Printing	\$65,697	\$0	\$5,140	\$7,022	\$1,345	\$44,838	\$58,345	\$7,352
Renovations and improv.	\$16,470	(\$16,470) c	\$0	\$0	\$0	\$0	\$0	\$0
Telephone	\$29,013	\$0	\$5,788	\$13,331	\$349	\$600	\$20,068	\$8,945
Travel	\$71,292	\$0	\$7,298	\$56,553	\$2,513	\$0	\$66,364	\$4,928
Subtotal non-labor	\$1,059,377	(\$74,721)	\$109,722	\$592,513	\$103,937	\$55,794	\$861,966	\$122,690
<b>TOTAL</b>	<b>\$2,632,449</b>	<b>(\$74,721)</b>	<b>\$278,691</b>	<b>\$1,713,235</b>	<b>\$125,899</b>	<b>\$57,703</b>	<b>\$2,175,528 (3)</b>	<b>\$382,200</b>

**Calculation of the Rate**

(1) If the nonprofit organization uses Direct Salaries & Wages excluding fringe benefits as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (Direct S\&W)} &= \$1,111,343 = 34.4\% \end{aligned}$$

(2) If the nonprofit organization uses Direct Salaries & Wages including fringe benefits as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (Direct S\&W + FB)} &= \$1,313,562 = 29.1\% \end{aligned}$$

(3) If the nonprofit organization uses Modified Total Direct Costs (MTDC) as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (MTDC)} &= \$2,175,528 = 17.6\% \end{aligned}$$

**Explanation of Adjustments**

- a) Excludes capital equipment purchases.
- b) Remove unallowable costs - \$22 Interest + \$14 Bad Debt = \$36.
- c) Excludes capital renovations and improvements.

**General Notes**

- This is a sample proposal only. It is not intended to prescribe a particular method for allocating costs. An organization should choose the Base that they feel will most accurately reflect the true allocation of their indirect costs to each program.
- An organization can use any ONE of the three bases shown. Regardless of what Base (1,2 or 3) is chosen the total indirect costs (\$382,200) do not change. The only thing that changes is the distribution Base.

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1. The Indirect Cost Proposal is supported by: (Include a copy of this document with proposal.)

Audited financial statements. If not available include one of the following documents:

Federal Form 990

Internal Financial Statements

Other \_\_\_\_\_

2. A reconciliation of item 1. (above) to the Indirect Cost proposal has been made and is included in this proposal.
3. Unallowable expenses have been eliminated from the indirect cost pool (e.g., donated or contributed salaries and services, bad debts, fund raising, advertising, Independent research and development (IR&D), depreciation of Federally funded assets and lobbying costs, etc.).
4. The direct cost base is complete (i.e., it includes all activities that benefit from the indirect cost pool). For example, fund raising, IR&D, project cost sharing, voluntary (e.g., donated or contributed labor and services are included where applicable).
5. A functional analysis of salaries and wages included in the indirect cost pool. If any function is less than 100% show the percent.
6. Treatment of Paid Absences and Fringe Benefits statements have not changed since the last indirect cost rate agreement.
7. We have not made any significant changes, during the proposal fiscal year, (i) to our accounting system, or (ii) to the definition or to the accounting treatment of any expense category (e.g., a change in building/equipment costing methodology, a change in charging an expenses from direct to indirect or visa versa).
8. We have not changed the equipment capitalization threshold during the proposal fiscal year. The capitalization level is \$ \_\_\_\_\_. If there is a change made during the proposal fiscal year, indicate the effective date of the change and the new capitalization level.
9. The required "Lobbying Cost Certificate" is attached.

**Please explain any boxes not checked on a seperate sheet.**

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Organization

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**LOBBYING COST CERTIFICATE**

I hereby certify that the \_\_\_\_\_  
(name of organization)  
has complied with the requirements and standards on lobbying costs in OMB Circular  
A-122 for the fiscal year ended \_\_\_\_\_  
(fiscal year covered by indirect cost proposal)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

(Signed by the official having the authority to negotiate  
indirect cost rates for the organization or by a higher  
level official)

**Note: The above certification is a requirement of OMB Circular A-122.  
We will not be able to process your indirect cost proposal without this certification.**